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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1945

No. 54

SCOTT PAPER COMPANY,

Petitioner

vs.

**MARCALUS MANUFACTURING COMPANY, INC.,
and NICHOLAS MARCALUS**

BRIEF FOR PETITIONER

✓
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**ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT
COURT OF APPEALS FOR THE THIRD CIRCUIT**

BRIEF FOR PETITIONER

THIS is an action for patent infringement, before this Court on a writ of certiorari under the provisions of Title 28, Section 347 of the United States Code. The petition was granted April 30, 1945. On May 25, 1945 the original petitioner, Automatic Paper Machinery Company, Inc., assigned the entire right, title and interest in the patent in suit, together with the right to continue the prosecution of this action, to Scott Paper Company. On June 11, 1945 an order was entered substituting Scott Paper Company as the party petitioner herein. As used in this brief, "petitioner" will usually refer to Automatic Paper Machinery Company, as the context will make clear.

OPINIONS OF THE COURTS BELOW

The opinion of the District Court, for the District of New Jersey, written by Judge Smith, appears at page 1 of the record and is reported in 54 F. Supp. 105. The opinion of the Circuit Court of Appeals for the Third Circuit (Circuit Judges Biggs, Goodrich and McLaughlin), written by Judge Biggs, appears at page 23 of the record and is reported in 147 F. 2d 608.

STATEMENT OF THE CASE

This is a civil action brought by petitioner to recover damages for past infringement and to enjoin future infringement of claims 1, 2, 3, 4, 7 and 8 of Marcalus Patent No. 1,843,429, issued to petitioner on February 2, 1932 (Rec. p. 10). The patent is entitled "Mounting Cutters on Box Blanks", and the claims in suit relate to a machine for performing that operation.

The respondent, Marcalus, made the invention of the patent in suit while an officer and employee of petitioner, to whom he assigned the patent application for good and valuable consideration, covenanting that he had "full right so to do" and agreeing to "do everything possible to aid said Automatic Machinery Co. Inc., its successors, assigns and nominees, to obtain and enforce proper patent protection for said invention in all countries" (Petitioner's Exhibit 6, Rec. p. 19). The application was allowed as filed (Findings of Fact, Rec. p. 2). Marcalus subsequently left petitioner's employ and organized the competing respondent company, which he controls (Findings of Fact, Rec. p. 2) and, when occasion arose, built and operated the accused machine (Rec. p. 21), which is the structural and functional equivalent of the patented machine. This action was thereupon brought and decided on a motion for summary judgment, the parties agreeing that there was no genuine issue as to any material fact. (In the brief before the Court of Appeals, respondents

conceded that Marcalus and his company might be regarded as one and we shall so regard them here.)

Sued for infringement of his own patent, respondent denied infringement, although, as we shall see, what he really did was to deny validity. That the accused machine infringes the patent in suit in the ordinary sense is too plain for argument, as the District Court demonstrated by reading a typical claim on it, element for element (Rec. pp. 3-4). Respondent's defense of non-infringement derives from his assertion that he is following the prior art and perforce cannot infringe. In support of this defense he came forward with an expired patent to one Inman, No. 1,036,851 August 27, 1912 (Rec. p. 18), on which he claimed to have patterned the accused machine. Whether he did or not, both courts below found the machine of the patent in suit, the accused machine and the Inman machine to be substantially identical. As the Court of Appeals put it, after noting certain "trivial" distinctions: "the accused machine, that of Inman and that of the Marcalus patent are as alike as peas in a pod" (Rec. p. 31); which being so, no troublesome questions of fact can arise to distract us. "The main issue of the case presents the question of estoppel by deed in patent property in classic simplicity", said the Circuit Court of Appeals (Rec. p. 26).

Respondent contended that under the rule approved by this Court in *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*, 266 U. S. 342, it was competent for him to rely on Inman for the purpose of narrowing the scope of his patent and so escape the odium—as well as the more solid disadvantages—of infringing it. That in so doing he might reduce that scope to nought and so effectively destroy the thing he had assigned, he regarded as a fortuitous—albeit fortunate—irrelevance with which he was in nowise concerned.

The Formica case succinctly states the doctrine of estoppel by deed to the assignment of patent property, and its limitations:

“ . . . an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant”. (349).

“Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable.” (351).

Respondent fixed his attention upon the permissive part of the rule: “the state of the art may be used to construe and narrow the claims of the patent”; overlooking the condition imposed: “conceding their validity”.

The District Court did not overlook this condition, pointing out that Inman did more than construe and narrow the claims of the patent in suit; that it invalidated those claims. Said the Court:

“Since the claims must be construed in the light of the prior art, the assignor may invoke the prior art but for the sole purpose of limiting the claims and their co-extensive estoppel. The assignor, however, may not invoke the prior art for the ostensible purpose of limiting the claims, but for the real purpose of challenging their validity for lack of novelty. . . . The assignor will not be permitted to defeat the estoppel by indirection”.

“If we were to permit the defense of non-infringement to rest on the Inman patent, the defendants would achieve, by indirection, the destruction of the Marcalus patent and the defeat of its assignment, and this the defendants may not do.” (Rec. p. 6).

Whereupon a judgment was entered holding the claims in suit infringed and respondent estopped to deny the validity of his own patent (Rec. p. 7).

The Court of Appeals, although agreeing that the claims in suit were infringed in the sense that they read on the accused machine—a claim that reads on one pea in a pod unquestionably reads on all the other peas in the same pod—nevertheless shared respondent's preoccupation with the claim-narrowing aspect of the Formica rule and reversed the District Court, concluding—with frank dubiety:

“If we are correct in our conclusion that under the rule of the Formica decision the prior art measures the extent of the anticipation and the anticipation *limits* the claims, anticipation being complete in the instant case, the claims of the patent must be limited to nought. We conclude that the District Court erred in holding the contrary.” (Rec. p. 32).

But a claim whose scope is nought is indistinguishable from an invalid claim—is by definition an invalid claim. Thus the Court of Appeals, although in form adjudging the patent not infringed, has in substance adjudged it invalid thereby rendering unworkable the nice but workable distinction observed by this Court in the Formica case and abolishing the doctrine of estoppel by deed to the assignment of patent property. It has permitted respondent to encompass the destruction of his own patent as effectively as though the doctrine of estoppel had never been heard of.

The case presents a single question:

May an assignor of a patent, when sued for infringement of it, use the state of the art for the ostensible purpose of construing and narrowing the claims of his patent and showing that he does not infringe them, when the effect of so doing is to limit that scope to nought and so destroy the patent and defeat the grant?

This question was answered in the negative by the District Court in the instant case and in the affirmative by the Circuit Court of Appeals for the Third Circuit. It was answered in the negative by the Circuit Court of Appeals for the Sixth Circuit in *Buckingham Products Co. v. McAleer Mfg. Co.*, 108 F. 2d 192. It has been variously answered by other federal courts. We believe that the rationale of the Formica case compels a negative answer.

SPECIFICATION OF ERRORS

The Circuit Court of Appeals for the Third Circuit erred:

(1) In permitting the assignor-patentee, Marcalus, to use the state of the art to narrow the scope of his patent claims in support of the defense of non-infringement when the result of so doing was to narrow that scope to nought and so invalidate the patent.

(2) In failing to understand that under the rule in the Formica case, an assignor-patentee's right to use the state of the art to construe and narrow his patent claims when sued for their infringement is conditioned upon his concession of their validity and circumscribed by his estoppel to use the state of the art to destroy the patent and defeat the grant; that the right of the assignee to exclude the assignor from the use of the patent assigned cannot be questioned even though as to the rest of the world the patent may have no efficacy and create no right of monopoly.

(3) In reversing the judgment of the District Court and holding the respondent not to infringe.

SUMMARY OF ARGUMENT

This Court, in the Formica case, relaxed the theretofore strict rule of the Seventh Circuit that an assignor-pat-

entee, sued for infringement of his own assigned patent, was estopped to show the state of the art, not only for the purpose of invalidating the patent, but for the purpose of narrowing and construing its claims as well. The state of the art might be used for the latter purpose, said this Court, but only on condition that the validity of the claims be conceded. Most federal courts since that time have understood the Formica rule and correctly applied it, but some, including the Court of Appeals for the Third Circuit, have not.

The claims sued on in the Formica case had been added by the assignee after the assignment and covered more than the assignor had intended to claim. There was, you held, no estoppel as to those claims so that the assignor was free to prove their invalidity. This he did.

The District Court was right in strictly applying the Formica rule, refusing to permit Marcalus to rely on the prior art for the ostensible purpose of proving non-infringement by limiting the scope of the claims in suit when the effect of so doing would be to reduce the scope of those claims to nought and thus, by indirection, destroy them. The Court of Appeals mistakenly reversed because it failed to understand the Formica rule, failed to understand the true nature of estoppel by deed and misapprehended the public interest in the estoppel as applied to Marcalus.

ARGUMENT

THE FORMICA CASE

The doctrine of estoppel by deed is an ancient doctrine having its genesis in the law of real property and long antedating our patent laws. But the applicability of the doctrine to the assignment of patent property has been recognized in this country for many years and was well

stated by Mr. Chief Justice Taft in the Formica case:

"The analogy between estoppel in conveyances of land and estoppel in assignments of a patent right is clear. If one lawfully conveys to another a patented right to exclude the public from the making, using and vending of an invention, fair dealing should prevent him from derogating from the title he has assigned, just as it estops a grantor of a deed of land from impeaching the effect of his solemn act as against his grantee. The grantor purports to convey the right to exclude others, in the one instance, from a defined tract of land, and in the other, from a described and limited field of the useful arts. The difference between the two cases is only the practical one of fixing exactly what is the subject matter conveyed. A tract of land is easily determined by survey. Not so the scope of a patent right for an invention." (350).

The practical difficulty of fixing exactly the subject matter conveyed when that subject matter is a patented invention had given rise to two contradictory rules: one, that the state of the art *might* be considered to determine the scope of the patent, conceding its validity; the other, that the state of the art *might not* be considered for that purpose. The first rule was applied by the federal courts generally and well stated by the Circuit Court of Appeals for the Sixth Circuit in *Noonan v. Chester Park Athletic Co.*, 99 Fed. 90, 91; the second was peculiar to the Circuit Court of Appeals for the Seventh Circuit and well stated by that Court in *Siemens-Halske Electric Co. v. Duncan Electric Co.*, 142 Fed. 157, 159. The resulting conflict was resolved by this Court in the Formica case:

"We think, however, that the better rule, in view of the peculiar character of patent property, is that the state of the art may be considered. Otherwise the most satisfactory means of measuring the extent of the grant the Government intended and which the assignor assigned would be denied to the court reaching a just conclusion." (350).

But, then the Court added—and this is the gist of the decision:

“Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable.” (351).

Thus the more liberal practice of the Sixth Circuit was given preferment over the stricter practice of the Seventh, *but* the fundamental rule itself was left undisturbed:

“In view of the usual finality of patent decisions in the Circuit Courts of Appeal, this Court will not now lightly disturb a rule well settled by forty-five years of judicial consideration and conclusion in those courts.” (349).

This Court did not, we believe, intend that liberality in application should prove the rule's undoing—that the exception should oust the rule.

Parenthetically it may be noted that the courts have not expressly distinguished between an assignor's estoppel to contest the validity of his assigned patent and a patent licensee's estoppel to contest the validity of the patent under which he is licensed. Although a good case might be made out for a stricter application of the rule to the assignor than to the licensee, it is not necessary to make a point of it here except to note that those cases in which the restraining influence of the estoppel has been relaxed the most have been cases in which a licensee's estoppel has been involved. That is, until the instant decision.

Although this Court took the opportunity presented by the *Formica* case to resolve the conflict between the Seventh Circuit and the others and to reaffirm the doctrine of estoppel by deed to the assignment of patent prop-

erty—thus formulating the so-called Formica rule—the question presented by the facts of that case was much narrower. One O'Connor, while in the employ of the Westinghouse Company, had made an invention in a process for making electric insulation for which he applied for a patent through the company's legal department, assigning the application to his employer as he had agreed to do in consideration of his employment. The process of the invention comprised two steps: (1) heating paper coated with bakelite at steam heat under high pressure, and then, after an interval of cooling, (2) baking the impregnated paper at high heat under low pressure. The novelty in the process lay in the second step, the first having been old. After the application had been filed, but before the patent issued, O'Connor left the employ of the Westinghouse Company. Thereafter the company's attorneys, without O'Connor's knowledge, submitted, by amendment, two claims directed to the single step of applying heat and pressure (Claims 11 and 12) and obtained their allowance—by what persuasion we do not know.

Subsequent to leaving the company, O'Connor, with others, organized the Formica Company, which, in the course of time, began making insulating material by the single step process constituting the first step of the two-step process for which O'Connor had applied for patent. Several years later the Formica Company was sued for infringement of the broad single-step claims (11 and 12), which were unquestionably infringed. It pleaded laches and invalidity. The plaintiff contended that both O'Connor and his privy, the company, were estopped to contest the validity of the claims in suit. The District Court sustained the defense of laches, and dismissed the bill; it did not pass upon the question of estoppel. The Circuit Court of Appeals for the Sixth Circuit found no merit in the laches defense, but—to quote from this Court's

Statement of the Case (345)

"Coming to consider the defense of estoppel, the Court held that on the facts no estoppel arose as to the claims sued on, and, proceeding then to the merits, found that claims 11 and 12 were invalid for lack of invention."

No estoppel arose as to claims 11 and 12 because O'Connor had never made or sworn to those claims. They were broader than his asserted invention. They were not part of the application assigned. (The Marcalus application, on the contrary, was allowed as filed—Findings of Fact, Rec. p. 2. The claims in suit were precisely the claims originally made and sworn to by Marcalus. They cover the essence of his asserted invention. They were part and parcel of the property assigned.)

This Court affirmed the decree of the Court of Appeals holding the claims in suit invalid for lack of invention (355). On the narrower issue, therefore, the law of the Formica case is simply this: the rule of estoppel by deed to the assignment of patent property does not extend to claims added by the assignee after the assignment and including more than the assignor intended to claim.

It is true that this Court purported to read the unexpressed second step of the process into claims 11 and 12, and it is further true that when so limited the claims were not infringed. There was, however, no *holding* of non-infringement, and any intimation to that effect that may be gleaned from the opinion must be considered *obiter dictum*. What you decided—if we may presume to say so—was that the claims in suit were invalid in view of the state of the art and that the defendants were not estopped to prove it (354, 355). For if a patent assignor, plainly infringing claims whose validity he is estopped to deny, but which are, nevertheless, anticipated, may escape liability by conveniently reading into those claims limitations just sufficient to restore their validity while leaving

them too narrow to be infringed, then surely the doctrine of estoppel, as applied to the assignment of patent property, has been effectively destroyed. We cannot believe this Court intended that result in the very case which so carefully reaffirmed the doctrine.

HOW THE LOWER FEDERAL COURTS HAVE CONSTRUED THE FORMICA RULE

Since 1924, when the Formica case was decided, no assignor of a patent, sued for its infringement, has been denied the privilege of supporting a defense of non-infringement by showing the state of the art and thus narrowing and construing the claims of his assigned patent. The courts have generally, however, required as the price of that privilege a concession of validity from the assignor-defendant and have inclined toward liberality in construing his claims.

In *Frank Associates, Inc. v. Columbia Narrow Fabric Co.* (D. C. S. D. N. Y.), 33 F. Supp. 279, Judge Knox, faced with a situation analogous to the one here, said—after citing the Formica decision:

“But, though it be that the assignor of a patent may, by proof of prior art, limit the scope of its claims, and thus, successfully, deny their infringement, he is estopped from claiming the invalidity of the patent. It is true, also, that as between an assignor and his assignee, ‘the courts will give a liberal, rather than a narrow, construction to the patent assigned.’ * * *

“Following this rule of law, and, bearing in mind the defendant is estopped to deny the validity of the patent, I do not see how it can avoid a decree of infringement. A limitation of the claims which would exonerate defendant would be tantamount to a decree that the claims are invalid.” (282-283).

He then held the claims valid and infringed.

In *West v. Premier Register Table Co.*, 27 F. 2d 653, an infringement suit against an assignor-patentee, the

Circuit Court of Appeals for the First Circuit said:

"Observing the rule laid down in *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*, supra, that the prior art may be shown to determine the scope of the patent as against an assignor but not to destroy the grant, it discloses nothing to limit or narrow the scope of the patent." (656).

and held the claims in suit valid and infringed. But in a separate concurring opinion Judge Lowell said:

"I agree with the conclusion of the majority of the court. The assignor of a patent may not assert its invalidity. All that the patentees did was to adopt for use in a printer's table an alining bar, which was old in the analogous art of drawing boards. *Bergner United States patent No. 195,915, October 9, 1877.* This in my opinion, did not involve invention." (656).

Perhaps the most outspoken of all the courts in holding the assignor's right of limitation within decent bounds has been the Circuit Court of Appeals for the Sixth Circuit in the *Buckingham* decision, 108 F. 2d 192, which the Court of Appeals for the Third Circuit expressly refused to follow in the instant case. There the state of the art, proven by a stranger, would admittedly have invalidated the patent in suit—the anticipation was complete. That case was perhaps stronger for the defendant than the instant case, because there it appeared that the assignee had actually known of an anticipating prior use before the patent in suit had been filed or assigned and intimations of fraud were not lacking. But the Court of Appeals refused to permit the assignor-defendant to use the state of the art to destroy the patent and defeat the grant. Nor would the Court permit the defendant to escape infringement by reading unexpressed limitations into the claims.

"Neither he [the assignor] nor those in privity with him may now be heard to say that his invention is

narrower than what is plainly indicated by the claims, and so escape the charge of infringement under the rule of the *Formica* case." (195).

Judge Smith, the District Judge who found for petitioner here, correctly applied the rule of the *Formica* case. He saw, just as his Court of Appeals saw, that the Inman patent, offered by respondent for the ostensible purpose of narrowing and construing his claims, completely anticipated those claims. But he saw what his Court of Appeals apparently did not see: that Marcalus could not use Inman for the purpose of narrowing and construing his claims and at the same time concede their validity. The two were incompatible. He rightly concluded, therefore, as had Judge Knox under similar conditions in the *Frank Associates* case, that reliance upon Inman was tantamount to holding the patent in suit invalid, and as Marcalus was estopped to do that, excluded Inman from consideration. (The Court of Appeals, unhappily, failed to see that one cannot concede the validity of a claim whose scope has been reduced to nought.)

These then are courts that have correctly understood and properly applied the *Formica* rule. But there have been courts that have questioned that rule in cases where the state of the art seemed to reduce the scope of the assigned patent to minuscule proportions, and some that have expressed views which, taken on their face, would seem to repudiate the rule.

Judge Kirkpatrick, in *Timken-Detroit Axle Co. v. Alma Motor Co.*, (D. C. D. Del.) 47 F. Supp. 582, had this to say:

"If no limitation at all, by reference to the specification, be imposed upon this claim we reach the point where the distinction which the Court spoke of in the *Formica* case—that is, using the prior art to construe and narrow a claim without letting it affect its validity—remains nice but becomes unworkable. The situation is that of a claim, completely anticipated by the prior art." (588).

He then proceeded to read unexpressed limitations into the claim, which not only gave it validity, but haply left it infringed as well—a conclusion eminently satisfactory to the plaintiff-licensor. The point of the citation is the judge's comment that, in the presence of a complete anticipation, the nice but workable distinction observed by this Court in the Formica case "remains nice but becomes unworkable". It becomes unworkable only when, as in the instant case, the anticipation is allowed to defeat the estoppel. As long as the assignor or licensee is required to concede the validity of the claim, the distinction remains workable—and nice enough.

An odd misinterpretation of the Formica rule is found in *Dwight & Lloyd Sintering Co., Inc., v. American Ore Reclamation Co.*, (D. S. S. D. N. Y.) 44 F. Supp. 401. There Judge Bondy, after repeatedly affirming the estoppel rule, said this:

"Were it not for the estoppel to deny user, the court would find with reference to patents 1,433,349 and 1,433,351 that the devices used by defendant's sub-licensees alleged by plaintiff to have used these patents are substantially the same as the device disclosed by patent 916,393, which was part of the prior art relied on by defendant. The claims of patents 1,433,349 and 1,433,351 accordingly will not be interpreted to include the devices used by defendant's sub-licensees." (403).

Obviously, it gives a plaintiff little comfort to refrain from invalidating his patents while interpreting them so as to leave them not infringed. Judge Bondy having reached his conclusion, by intuition, proceeded to organize his premises *a posteriori*.

But it remained for the Court of Appeals for the Seventh Circuit, in pre-Formica days the staunchest champion of the estopped doctrine, to give it the unkindest cut of all. In *Casco Products Corporation v. Sinko Tool &*

Mfg. Co., 116 F. 2d 119, that Court, after referring to the *Formica* rule and quoting from the *Noonan* decision, 99 Fed. 90, had this to say:

"Perhaps we should hesitate to enlarge upon this. Despite some trepidation, however, we assert the corollary rule to be that defendant is estopped to assert that patents under which it is licensed merely follow the teaching of the prior art, for to do so would invalidate that which it has covenanted is valid; but that, by the same token, defendant is not estopped to prove that its devices are built wholly according to the teaching of the prior art and that everything necessary to their conception and construction was taught by such art, for such proof clearly negatives infringement. In other words if everything in defendant's construction was taught by the prior art and nothing included therein other than the application of such art, plus ordinary mechanical skill, then the mere fact that the device constructed reads upon the claims of patents, the validity of which it is estopped to deny, does not spell infringement." (121).

If it be argued that this case involved a licensee's estoppel, not an assignor's, and that a different result would and should have been reached had an assignor been sued, we can only answer ruefully that the Court of Appeals for the Third Circuit perceived no such distinction and used the reasoning of the *Casco* decision to vitiate an assignor's estoppel in the instant case.

THE OPINION OF THE COURT OF APPEALS

Applying the rule of the *Formica* case to the facts before him, District Judge Smith properly held that Inman was not available to Marcalus for any purpose. He was right, of course; and although the Court of Appeals reversed him, one gets the impression that the judges of that court were not happy in their decision, nor alto-

gether convinced that they were right. In any event the arguments with which they sought to justify their conclusions are demonstrably specious. We shall examine them briefly.

In the first place the Court of Appeals did not understand the Formica rule. After restating the facts before this Court in that case, and noting Mr. Chief Justice Taft's comments on claims 11 and 12, the Court of Appeals concluded:

"The Supreme Court held that since claims 11 and 12, so limited, were for a two-step process, O'Connor did not infringe the claims since he used a one-step process" (Rec. p. 27).

But as we have demonstrated earlier in this brief, this Court made no such holding. You did not hold that O'Connor had not infringed; you held that claims 11 and 12 were invalid and that O'Connor was not estopped to show it. It so happened that on the facts of the Formica case it made no practical difference whether limitations were read into the claims to save them but leave them un-infringed, or whether, the estoppel denied, the claims were proved to be invalid. But it makes a lot of difference here because there are no limitations that *can* be read into Marcalus' claims to save them. As the Court of Appeals correctly held, "the accused machine, that of Inman and that of the Marcalus patent are as alike as peas in a pod". A one-step process and a two-step process are not so alike.

The analogy between property in land and in ideas, although useful, must not be pushed too far. The Court of Appeals in support of its conclusions wrote:

"If an individual purported to convey a public park to a stranger, the grantee could not exclude the grantor from the premises." (Rec. p. 32).

Why not? The Court asserted this as a truism, but justice might well decree otherwise. If the Court is right, it is not because any fundamental principle of equity dictates the result, but because considerations of expediency may make it impracticable to exclude from a public park any member of the public suffered to roam at large. There is the further consideration that the exercise of the most elementary precautions would have saved our foolish stranger from the consequences of his folly: his wily grantor had at no time even colorable title to the property conveyed. In contrast, the patentee of a duly issued patent not only has good title to it—the patent is indubitably valid until some court has held it *invalid*. (The same reasoning is applicable, *mutatis mutandis*, to a duly filed patent application.)

The Court of Appeals found the public interest best served by relieving Marcalus of the estoppel, reasoning that if Marcalus were required to pay plaintiff a royalty, that royalty would be passed on to the public, which would, therefore, have to pay a higher price for the products of Marcalus' machine than otherwise, notwithstanding the patent on the machine be invalid (Rec. p. 32). To this there are two answers: (1) Marcalus would never be given the privilege of paying a royalty; he would be summarily enjoined. (2) If Marcalus, to prevent diminution of his profits, should attempt to pass on to the public the royalty which the Court assumes he would be allowed to pay, he would have to raise the price of his waxed paper packages; whereupon the public would cease to buy his wares, patronizing instead his competitors, all of whom would be free to use the same machine without paying a pennyworth of royalty to anybody. Thus the public would be none the poorer; only Mr. Marcalus. And the same happy result would be reached should he absorb the royalty. It is difficult to see how it could be otherwise in a free economy. Thus the Court of Appeals would confer

no benefit on the public, but would certainly pay Marcalus a handsome and unearned dividend on his double-dealing.

The Court concluded by denying petitioner's right to assert the estoppel against Marcalus because of lack of mutuality (Rec. p. 33). Petitioner, the Court averred, was chargeable with knowledge of the Inman patent at the time Marcalus assigned his application; hence knew it was getting an invalid patent and cannot complain that it was cheated! Petitioner is thus charged with being an accessory to its own spoliation, which is certainly giving *caveat emptor* a new and fantastic twist. It hath been said by them of old time: Surely in vain is the net set in the sight of any bird, but the Court of Appeals in its wisdom, thinks otherwise. Furthermore, if petitioner was chargeable with knowledge of Inman, then Marcalus was equally chargeable—with shocking implications. For to hold petitioner chargeable with this knowledge makes of its management a parcel of dolts, but to hold likewise with respect to Marcalus makes of him a thief and knave who first perjured himself by falsely swearing to Inman's invention and then gulled his generous if simple-minded employer by selling it to him. And what is worse, he is now permitted to enjoy at leisure the ill-gotten fruits of his duplicity. Never was confidence man more considerately treated! We have deplored Marcalus' undeveloped sense of punctilio, but we have never charged him with deliberate fraud.

CONCLUSION

Respondent's counsel in argument and brief before the Court of Appeals urged that court to do away with the doctrine of estoppel by deed to the assignment of patent property on the ground that it was contrary to public policy. The disclosures of expired patents—so the argument ran—are within the public domain and to exclude anyone, even this respondent, from full and free enjoy-

ment of them would be to deprive the public of rights that it had bought and paid for—an egregious and shocking injustice. This, said counsel, is a fundamental principle of our patent system. (But petitioner bought and paid for rights too. What of them?) The Court of Appeals accepted the argument, finding “cogent reasons . . . why the doctrine of estoppel by deed should be held to be inapplicable in the instant circumstances”, and dragged in old *Pro Bono Publico* (Rec. p. 32). But the public is being deprived of no rights when Marcalus is enjoined from infringing his own assigned patent; only Marcalus is being deprived—which seems right and just.

“As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use.” (349).

There is a public interest involved, to be sure, but that interest were better served by promoting fair dealing among men than by quixotically upholding “a fundamental principle of our patent system” which is not in jeopardy anyway. The principle is sound enough; this respondent is simply estopped to invoke it. The Court of Appeals in its zeal to protect an imaginary public interest has failed to do justice to the aggrieved suitor at its bar.

We believe that the Formica rule is sound and should be reaffirmed. The essence of that rule is that an assignor of a patent, when sued for its infringement, is estopped by considerations of fair dealing to question its validity. He may plead that he does not infringe and may introduce limiting prior art in support of that defense, but he must concede the validity of the claims he has assigned. His use of the prior art is conditioned upon that concession. “Of course, the state of the art can not be used to destroy the patent and defeat the

grant, because the assignor is estopped to do this", said Mr. Chief Justice Taft. And a claim whose scope has been limited to nought has been destroyed and its grant defeated as surely as though it had been adjudged invalid. Such a claim is invalid. It follows that the District Court was right and the Court of Appeals was wrong. The Inman patent, pleaded by any other defendant would invalidate the claims in suit. It may not, therefore, be pleaded by Marcalus.

Infringement in the ordinary sense being undeniable and validity not being in issue, the judgment of the Court of Appeals should be reversed and that of the District Court affirmed.

Respectfully submitted,

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